

~~SECRET~~

STAT

KEY JUDGMENTS

- What effect has the 28 August mutiny had on the short-term stability and tenure of the Aquino government?

The immediate threat posed by the military has receded considerably. Moreover, the headlines of last year at times overshadowed Manila's genuine accomplishments, such as the successful local elections. Public opinion polls show that most Filipinos remain committed to the government for now, believing that Aquino and her Cabinet are trying to make the system work.

- What are the prospects for the Aquino government over the next year and beyond?

Our best estimate is that Manila will continue its course of ad hoc, crisis-driven policymaking. The armed forces will probably continue to pose the greatest near term threat to the government, but we believe that the Communist Party and the NPA will become increasingly worrisome over the next several years. Given Manila's record so far, we believe that implementation of planned military, political, and economic reform will fall considerably short of its hopes--and is probably not going to reach the level of performance needed to gain the complete allegiance of the military or to turn the insurgency around. Indeed, we believe the probability of a worst case outcome is greater than the chances that events will turn out better than expected.

- What obstacles stand in the way of brighter future for the Philippines?

A number of barriers, such as indecisive leadership and the highly centralized nature of the government, hamper Manila's efforts to reduce the threat posed by the insurgency and the military. Although some obstacles, primarily the scarcity of financial resources, could be overcome somewhat through increased foreign aid, other problems are more intractable. In particular, we are concerned that many of Manila's plans are threatened by the same cultural factors and historical traditions that undermined previous efforts.

- What are the key domestic factors that could alter our assessment?

Strong Political Leadership. Dynamic political leadership is probably the most important ingredient in improving the country's chances. In our opinion, however, Aquino's recent more aggressive stance barely achieves the minimum level of leadership that the country's problems require.

Dynamic Local Government. Unfortunately, local government has been collapsing under the weight of neglect in the Marcos years, a persistent Communist insurgency, local factional politics, tangled lines of authority, a chronic lack of funds, incompetence, and corruption.

~~SECRET~~

STAT

SECRET

STAT

The Power of a Healthy Economy. We believe that economic growth of at least 5 percent annually over the next few years is necessary to underwrite programs and policies designed to tackle the country's deep-seated problems. Achieving such balanced and sustained growth, however, depends on strong export performance and increased agricultural productivity.

-- What is the most difficult challenge confronting the Philippines?

Mounting an effective counterinsurgency effort is the most difficult, but necessary, task Aquino faces. We are encouraged by Manila's discussion of a regional approach to the insurgency, in which the government concentrates its limited resources in a few areas at a time. In our judgment, civilian authorities need to play an integral role in several aspects of such a counterinsurgency effort, including:

Central Supervision. The President with the assistance of her Cabinet (CORD) must set priorities, choose areas for emphasis, insist on effective coordination of both the civilian and military aspects of the program, allocate resources accordingly, and encourage vigorous implementation by local instrumentalities.

Local Responsibility. Local officials must set priorities and effectively coordinate civilian and military aspects of the effort. Grassroots activity to determine concerns and needs of the people can be an important key to success. An emphasis on fairness and justice in all decisions has been shown to be a relatively low cost resource multiplier.

Local Control of the Constabulary and the Police. We believe that local control of these security forces, at least in those areas being given emphasis by the central government, makes a lot of sense, particularly when the regular military moves in and the bulk of the counterinsurgency efforts fall on the shoulders of civilian leaders.

Amnesty. Although we believe that the most opportune period for an effective amnesty was in the first year of Aquino's government, a well-funded and administered program could still attract insurgents. Unfortunately, much of the funds earmarked for the current program have been bottled up in Manila.

Undermine CPP Fronts. Manila needs to go after and prosecute Communist members of unions, student groups, and other front organizations.

Discourage Foreign Aid to Insurgents. Aquino should encourage foreign leaders to take legal action against front members operating in their countries.

If Manila is to make headway against the insurgents, it will also need to continue to reform and rebuild the Armed Forces of the Philippines (AFP). Many of the necessary measures, unfortunately, require either increased defense spending by Manila or US military assistance. If non-monetary issues--such as professionalization--are not adequately addressed, however, no amount of new resources will be sufficient. Among the package

SECRET

STAT

SECRET

STAT

of steps we believe are necessary to shape the AFP into an institution that can fulfill its military mission are: restore professionalism; break down factionalism; emphasize training; increase mobility; and improve force multipliers such as tactical intelligence.

-- What can the United States do?

Senior officials, including Aquino, appear more aware than ever of the urgency of their situation, and, with the local elections out of the way, may be more inclined to take action. Because of past US support, we judge that Aquino and her cabinet will be receptive to US messages of concern. Aquino clearly trusts senior US officials and values their advice, and her Cabinet, with few exceptions, is both pro-US and competent. These factors give Washington the access to deliver tough messages and to press for reforms. Possible initiatives include:

Aquino's Coalition.

Using US influence to assist Aquino in forging an effective working relationship with the legislature and local officials.

Counseling the importance of unified action on key problems.

Political Reform.

Pressing for an immediate solution to the bottleneck in the disbursement of funds both domestic and foreign.

Encouraging the government's regional approach to development.

Insisting on greater government attention to the problems of the countryside and increased delivery of services.

Counseling on the importance of officials practicing greater fairness and justice in dealing with people at the local level.

Economic Renewal.

Encouraging Manila to adhere to its debt accords.

Looking for innovative ways to help Manila reduce its debt burden.

Supporting efforts to open the Philippine economy to the global market.

Urging other democratic nations to give a priority to investment in the Philippines and increase assistance levels.

Pressing Aquino to devote additional attention and resources to agriculture.

Insurgency.

Counseling the importance of central supervision-local responsibility in the regional approach Aquino indicates she hopes to implement.

SECRET

STAT

SECRET

STAT

Urging Aquino to give implementing an effective counterinsurgency program her highest priority.

Monitoring implementation closely and quickly identify problem areas to bring to the President's attention. If appropriate, suggest solutions.

Insisting that the military and other security forces maintain a high standard of human rights practices.

Where possible, targeting US assistance to the countryside in support of civilian and military counterinsurgency efforts.

Providing guidance and assistance in reforming and improving the capabilities of the AFP.

Educating friendly governments about the nature of the insurgency and the insurgents political fronts. Also, seeking to cut off official aid to dubious Philippine groups and to restrict the activities of NDF figures abroad.

SECRET

STAT

Executive Registry

1222-88

21 March 1988

MEMORANDUM FOR: National Intelligence Officer for East Asia

FROM: Deputy Director of Central Intelligence

SUBJECT: SNIE 56-88: The Philippines: Problems and Prospects for the Aquino Government

1. By the time this estimate is over you will never want to hear the word "Philippines" again.

STAT

2. I think we're getting there, but I believe the draft needs more work. I think that the approach can be simplified, and I agree with the SRP that some additional facts are in order. I think a restructuring does not require a great deal of new text. It seems to me that the estimate would be most helpful to the policymaker if it were structured along the lines of (I.) Good News, (II.) Bad News, (III.) Opportunities for External Influence. Under Good News, I would include sections on the President and leadership, democratization, the economy, and military reforms. There is a good deal of text on each of these in the paper that could be succinctly presented. The only major place for new text would be on the economy where I think several paragraphs are required on those aspects of the macroeconomic situation that place the Philippines currently in a relatively strong position -- e.g., things such as a rising level of foreign investment, an improved situation in the foreign reserves, the growth rate, and I'm sure there are some others. Positive aspects of each of the other developments could be described fairly succinctly.

STAT

3. With respect to Bad News, one would have to lead off with the section on counterinsurgency but then add to that short sections on underlying problems in each of the areas described under "Good News" -- problems of the rural economy, shortcomings of leadership below Aquino, the restoration of some of the oligarchy in the context of democratization and the persisting unhappiness in some parts of the military. I think

~~SECRET~~

Cl By Signer
DECL OADR



that all can be presented very succinctly. In this section you could also describe some of the additional problems discussed in the present section on "Hurdles Blocking the Way".

STAT

4. I think a third section could then be devoted to those areas where we think the government ought to be taking action and where external influence from the United States and others could be productive. I think the way you have done the section on Opportunities beginning on page 33 is well done and not particularly policy prescriptive. I would think there are other things that could be added to that however.

STAT

5. Finally, I think we have the chance here to respond to the Secretary of State's continuing unhappiness at our consistently presenting him with problems and no help in terms of what to do. I suggest that during the time this restructuring is being redone, presumably by one person in the DI or in your office that you begin work on a draft memorandum that the Director could send to the Secretaries of State and Defense and the National Security Advisor that would be more specifically policy prescriptive. I envision this memorandum accompanying the estimate. It would start off saying that this is a situation where the Secretary of State's interest in "Opportunities Intelligence" does present itself but rather than risk any hint of the estimate itself being policy prescriptive or suggesting policies, he would take the opportunity to present to these three officials some specific ideas that emerged in the course of the preparation and coordination of the estimate where the US could exercise a positive influence in the Philippines and areas where we specifically could target both our advice and our assistance. I would then have a number of very succinct ticks, not more than a few lines each, that go through this and give the policymakers some ideas where they could act.

STAT

6. I believe that the restructuring that I have described could be accomplished in a few days. In fact, I think it would be a mistake to allow any more than that. Very little new text is needed except on the macro aspects of the economy and the rest is essentially a cutting and pasting job with some transitional paragraphs. I believe the restructuring is needed, however, because at present the estimate would seem to a policymaker, in my view, highly unfocused. Simultaneously, as presently structured, it would immediately be offputting to State (which is after all the principal action agency here) because it would appear at first blush to be very pessimistic. By highlighting the achievements at the beginning you not only present a factual basis for the ensuing discussion but you give credibility to the balance of the estimate. On reflection, you might want to go ahead and incorporate a significant part of the Outlook Section as the third part of the estimate, then followed by a section on opportunities for the United States.

STAT

7. With regard to the SRP comments, I agree with their paragraph 4 and particularly the frequency of references to "our concerns," "we are concerned," "we are encouraged," "we believe," "we are disappointed," and so forth. Intelligence estimates are not "encouraged," "disappointed," or "happy". One of the virtues of Section I and Section II will be that we can highlight things that "we know". I'm inclined to agree with you that for this estimate to be valuable, we cannot get into an enormous amount of detail about the tenancy situation, Mrs. Aquino's relatives, areas controlled by the insurgents and so forth. Nonetheless, you might look at some boxes that compare economic performance, for example, with that in the last year of Marcos' regime and perhaps ten years ago.

STAT

8. I think that with this kind of restructuring, this estimate could perhaps be a third shorter than it is now, much tighter and much more directly focused on the concerns of the department.

STAT

9. I can imagine your frustration at the prospect of yet another draft. Nevertheless, I believe that the restructuring as suggested above would be relatively easy, preserve most of what has already been done, and could be done in a very short period of time. Indeed, I think you would be letting yourself in for more work and more annoyance than necessary if you contemplated a deadline any later than 25 March. Needless to say, if you and Dave or Fred want to discuss this further, just let me know.

STAT

Rf.
Robert M. Gates

cc: AC/NIC
VC/NIC